

Cleaning activities are not considered to be repair or maintenance for purposes of 86 Ill. Adm. Code 130.330(c)(2). As a result, machinery whose function is to clean exempt machinery and equipment does not qualify for the manufacturing machinery and equipment exemption. (This is a GIL.)

April 26, 2006

Dear Xxxxx:

This letter is in response to your letter dated August 19, 2005, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.ILTAX.com to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

I am purchasing manager for ABC in CITY, IL. We manufacture PVC door and window extrusions. We are purchasing an \$85,000 automated overhead crane system and ultrasonic die washer under our capital expenditure program. It transports, cleans, and brightens \$3,000 to \$40,000 stainless steel dies used to form our parts in the extrusion (manufacturing) area.

After the dies are run 2 to 72 hours they must be removed from the production line, disassembled, and cleaned. Cleaning of these dies is part of our manufacturing process. Without this cleaning we can not run quality profiles in our production dept. These die plates will be loaded into a basket then submerged into the new ultrasonic cleaner automatically by Programmable Logic Controller controlled electric motor driven crane system. The organic acid cleaner combined with the ultrasonic electric waves will remove the contamination from inside the dies. This area is very difficult to clean by hand. The crane system moves them to a rinse tank followed by another rinse and then to a table to dry.

In addition to cleaning the dies, they will be brightened (shined) by the cleaning action of the ultrasonic and citric acids. With this new ultrasonic cleaner we will be able to switch from a hazardous caustic cleaning chemical that had to be disposed of as hazardous waste and replacing it with a mild organic acid and detergent that can be dumped down the drain after use.

Can we use the ST-587 Equipment Exemption Certificate for this purchase and not pay any tax? We look forward to your written response. Please fax your response or mail your response. Thank you for your time and consideration into this matter.

DEPARTMENT'S RESPONSE

The Department's regulation, "Manufacturing Machinery and Equipment," at 86 Ill. Adm. Code 130.330(a) provides that notwithstanding the fact that the sales may be at retail, the Retailers' Occupation Tax does not apply to sales of machinery and equipment used primarily in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease.

Subsection 130.330(c)(2) provides that "machinery" means major mechanical machines or major components of such machines contributing to a manufacturing or assembling process: *including, machinery and equipment used in the general maintenance or repair of such exempt machinery and equipment or for in-house manufacture of exempt machinery and equipment.* However, under this exemption, cleaning activities are not considered to be repair or maintenance, even when performed on exempt machinery and equipment. Consequently, machinery whose function is to clean exempt machinery and equipment does not qualify for this exemption.

If you require additional information, please visit our website at www.ILTAX.com or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Martha P. Mote
Associate Counsel

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